

**LOCAL ROAD MAINTENANCE AND REHABILITATION PROGRAM, PHASE II**

**(DR-0131)**

**EXECUTIVE SUMMARY**

**BORROWER AND GUARANTOR:** Dominican Republic

**EXECUTING AGENCY:** Department of Public Works and Communications  
[Secretaría de Estado de Obras Públicas y Comunicaciones] (SEOPC)

**AMOUNT AND SOURCE:** IDB: US\$48 million (OC)  
Local counterpart funding: US\$12 million  
Total: US\$60 million

**FINANCIAL TERMS AND CONDITIONS:** Amortization period: 25 years  
Disbursement period: 4 years  
Interest rate: variable  
Inspection and supervision: 1%  
Credit fee: 0.75%  
Currency: U.S. dollars, Single Currency Facility

**OBJECTIVES:** The program's overall goal is to ensure the sustainability of local road maintenance. Its specific objectives are to: (i) consolidate modernization of the institution responsible for the local roads system; (ii) promote new implementation arrangements, including increased community participation; (iii) help devise new alternative ways to ensure steady, permanent funding of maintenance plans; and (iv) help fund a portion of the annual investment plans for rehabilitation and maintenance of local roads and bridges.

**DESCRIPTION:** The proposed program will last four years. Construction work will be carried out by stages, using the time-slice method. The program will finance annual investments in rehabilitation and maintenance of local roads and bridges in the system of main roads; periodic and routine maintenance of local roads in the system of main and secondary roads, employing novel forms of community participation such as local roadmenders and microenterprises; and technical assistance and institutional strengthening to support the rehabilitation and maintenance of local roads and bridges.

To ensure a permanent source of funding for maintenance of local roads, a plan of action has been worked out with the borrower and executing agency to institutionalize a system introduced with the loan now being executed whereby annual budgetary appropriations will be earmarked for local road maintenance, and to establish a sustainable financing mechanism for these activities. As part of this plan of action, the executing agency will commit to road-rehabilitation and maintenance targets that will be financed with the SEOPC's own resources for the program's duration, and take measures to ensure that by program's end, a mechanism will be in place to assure funding to maintain the local roads system.

**ENVIRONMENTAL AND  
SOCIAL REVIEW:**

The principal recommendations of the environmental and social impact report (ESIR) for the proposed program appear in chapter III, section H, and in chapter IV, section D. Among the special conditions for the program will be that, before disbursements may begin, the program coordination unit (PCU) must have been strengthened by adding two experts, one in environmental issues and the other in social issues, and appointing counterpart support staff for those officers. In addition, the consulting services required to strengthen management of the environmental and social elements of the component for the SEOPC's institutional strengthening are to begin in year 1 of the program.

**BENEFITS:**

The proposed program will help raise the standard of living in rural communities and lower the cost of agricultural production by making markets and basic social and economic infrastructure services accessible year-round.

**RISKS:**

The chief impediments to adequate and sustainable maintenance of the country's local road system have been the absence of an organization with the requisite operating capacity, and uncertainty as to the timely availability of funds. By way of the proposed action plan for maintenance sustainability, this operation will increase physical maintenance targets annually by contracting work out to the private sector, and bring in institutional changes such that, by the end of the program, an autonomous organization will be in place with assured sources of funding.

**THE PROJECT'S ROLE  
IN THE BANK'S  
COUNTRY AND SECTOR  
STRATEGY:**

This program is consistent with both the country's and the Bank's strategy. Stronger and more modern State road and highway agencies, greater private sector participation in the transportation sector, and development and reconditioning of production routes are parts of interrelated policies to boost economic activity in rural areas, reduce the fiscal burden, and make public spending in the sector more efficient.

**PROCUREMENT OF  
GOODS AND  
SERVICES:**

With the exception of the works specified in the following paragraph, standard Bank procedures will be followed for contracts for the program's construction work, procurement and consulting. International competitive bidding will be required for purchases of goods valued at the equivalent of US\$300,000 or more and construction contracts worth US\$3,000,000 equivalent or more. International calls for proposals will also be required for consulting contracts valued at over US\$200,000 equivalent. Construction contracts, purchases of goods, and services contracts involving lesser amounts will be arranged according to the procedures stipulated in paragraph 3.9 of this document.

**EXCEPTIONS TO  
BANK POLICY:**

In the case of works done by local roadmenders or microenterprises, which are targeted for up to US\$5,000,000 under the proposed loan, an exception is recommended to exempt them from standard Bank-required bidding procedures. The procedure used for such works would be decided by the consultants contracted under the program component for the plan of action for maintenance sustainability. The reason for this approach is explained in paragraph 3.9 of this document.

To provide for flexibility in hiring staff for the PCU it is being recommended (paragraph 2.5 of the proposal) that, if necessary, such contracting be exempted from the Bank's standard procedures for consulting services.

**POVERTY TARGETING  
AND SOCIAL  
CRITERIA:**

By the criteria stipulated in the document of the Eighth Replenishment (AB-1704, paragraph 3.18), the proposed program does not qualify as a poverty-targeted investment.

**SPECIAL  
CONTRACTUAL  
CONDITIONS:**

**A. Conditions precedent to the first disbursement**

Prior to the first disbursement, two experts must have been added to the PCU to strengthen that unit, one of them an environmental specialist and the other a specialist in social issues, and

counterpart staff must have been appointed to support these officers' work.

B. Other special contractual conditions

- a. The selection criteria used for projects carried out in the program's first year and for similar projects carried out in the years that follow are explained in paragraphs 3.6 and 3.7.
- b. The program will include: a midterm review meeting (paragraphs 3.11 and 3.12); an annual supervision meeting; and annual maintenance reports (paragraph 3.14).
- c. Contracts for road design, construction and maintenance are to stipulate the environmental specifications agreed upon for this program.
- d. Before the contracts for program-related works are awarded, it must be shown that consulting services have been hired to supervise those works.
- e. The consulting services required to strengthen the SEOPC for implementation of the plan of action for maintenance sustainability and for the environmental and social management that are part of the General Maintenance Directorate institution-strengthening component are to begin in the program's first year (paragraphs 2.8 and 3.22).
- f. The borrower will pledge to take the necessary action to achieve the targets set out in the plan of action for maintenance sustainability.

In addition to the conditions precedent to the first disbursement that the Bank routinely requires, the contract will contain other standard Bank clauses for operations of this type and conditions on auditing, reports, periodic meetings, inspections, maintenance, procurement of goods, performance of works and contracting of consulting services.